



Michigan  
*Office of the Auditor General*  
**REPORT SUMMARY**

*Performance Audit*

Report Number:  
27-590-01

*Automated Information Systems*

*Department of Treasury*

Released:  
June 2003

*The Department of Treasury has developed and operates large complex information systems to manage the processing of numerous personal and business-related taxes. These include sales, use, and withholding taxes; individual income tax payments and refunds; and single business tax payments and refunds. These information systems facilitate the processing of over \$18 billion a year in tax revenue collections and over \$1 billion in tax refund payments.*

***Audit Objective:***

To assess the effectiveness of the Department's general controls over access to its mainframe information systems.

~ ~ ~ ~ ~

***Audit Conclusion:***

The Department's general controls over access to its mainframe information systems were not effective. As a result, there was a significant risk that the Department's system of internal control could not prevent or detect unauthorized access to or use of confidential taxpayer information or the execution of fraudulent financial transactions.

~ ~ ~ ~ ~

***Post-Fieldwork Follow-Up:***

In January 2003, we inquired of the Department and the Department of Information Technology (DIT) their status in addressing the findings in this report. Based on these inquiries, we determined that the Department and DIT had made improvements in the internal control over information systems; however, action was

still required to fully correct the conditions cited in the report. The Department and DIT expect to be in full compliance by September 30, 2003.

~ ~ ~ ~ ~

***Agency Response:***

The agency preliminary responses indicated that the Department agreed with the findings and has partially complied or will comply with the corresponding recommendations.

~ ~ ~ ~ ~

***Material Conditions:***

1. Comprehensive Information Systems Security Program

The Department had not established a comprehensive information systems security program. Without a comprehensive security program, management cannot ensure that the Department's internal control is operating as intended and that sensitive information will remain confidential. (Finding 1)

2. Organizational Controls

The Department had not established effective organizational controls to support its critical information systems. During our audit, we noted that the cause of many of our audit findings were in part related to incompatible job assignments, critical functions not assigned, or insufficient expertise in control standards and techniques and information security. (Finding 2)

3. Access to System Account

The Department had not controlled access to its critical production system account. Access to the production system account can be used to gain unauthorized access to critical Department information resources that may go undetected. (Finding 3)

4. Access to Department Information System Files

The Department had not established effective access controls to its mainframe information system files. The Department stores thousands of files on the State's mainframe computer system. These files support

the Department's major tax systems as well as financial and other information systems. We reviewed the access controls for these files and identified material control conditions that prevent the Department from maintaining the integrity and confidentiality of its information systems. (Finding 4)

5. Access to Tax Systems

The Department had not established effective access controls to its production tax and other information systems. Without effective access control to production application systems, the Department cannot maintain the integrity of confidential taxpayer records and critical financial records. (Finding 5)

6. Program and Data Change Controls

The Department had not established effective program and data change controls. This environment does not provide Department management with sufficient control to reduce the risk of unauthorized data changes to a reasonable level. (Finding 6)

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

A copy of the full report can be  
obtained by calling 517.334.8050  
or by visiting our Web site at:  
[www.state.mi.us/audgen/](http://www.state.mi.us/audgen/)



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**James S. Neubecker, C.P.A., C.I.A., D.P.A.**  
Executive Deputy Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Director of Audit Operations